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Marketing Life Insurance: Its History in America[1]

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In this unique book Dr. Stalson has made a distinguished contribution to the literature of Life Insurance. Never before, during the two-century evolution of the institution, has such a task been undertaken. How strange it is that, among all the investigations that have been made into other functional aspects of this giant industry, nobody has ever been interested to examine the records of the superlatively vital force that has brought life insurance to its present eminence in our national economy.

This statement is literally true, for of the thousands of essays and articles that have been written on the marketing side of the business, not one has ever treated its historical evolution in such a manner as to give anything more important than an impressionistic sketch. Yet, surely, the agent should understand his own ancestry,

[1]Editor's note. This book was published by the Harvard University Press, 1942. Copies have been sent recently to members of the Business Historical Society.

for he is the veritable prime mover in and mainspring of growth. As liaison officer between company and public he holds the success or failure of the institution in the hollow of his own hand. Hence, nothing is gained by minimizing his function, because when *he* stops work, the business stops growth.

This is by no means to belittle the administrative heads in the home offices, because without them the agent would have nothing to sell. Of coöperation with each other, however, you see the result—125 billions of insurance in force, backed by over 30 billions of the soundest assets that the knowledge and judgment of trained men can assemble.

Dr. Stalson has had excellent preparation for his undertaking. He has had five years of field experience in Chicago with one of the topnotch companies, followed by the two-year course in the Harvard Graduate School of Business Administration. Then came sufficient time to prepare himself for the degree of Doctor of Commercial Science (1940), this book being an outgrowth of the required thesis. In all this he has had the benefit of the criticism, advice, and inspiration of an exceptional group of men in the industry; and, even more important, the personal direction and professional counsel of various members of the faculty of the Harvard Business School. Moreover, he has had access to the extraordinary resources of the Baker Library belonging to that school.

The costs of preparing and publishing this volume have been met in large part by contributions from thirteen life insurance companies. These forward-looking institutions were so deeply interested in the material which the author was collecting that they assured the financial completion of the task.

As to the apportionment of space in the book, it is not necessary to give more than these few details: there are over 900 pages, text and notes filling 714; then come 45 appendices in 165 pages; finally, an elaborate index. There are 15 illustrations of life insurance worthies, 12 charts, 31 tables—obviously the composition of such material was a serious typographical undertaking. But enough about the physical aspect.

A brief résumé of the contents is clearly in order. Note in the first place that here are two books under one cover, running side by side—the first is a fairly detailed history of the origin, development, and present status of life insurance in America.

Virtually nothing is said about the continent of Europe or any other part of the world except Britain and Canada. Life insurance is obviously an Anglo-Saxon product. In the second place, parallel with the detailed history of life insurance in England and America (which means the history of the formation and subsequent experiences of the companies that sell it), runs the variegated narrative of the marketing efforts of these companies. It is a fascinating story, complicated through all its pages by influences that alternately promoted and retarded the success of life insurance.

Nor is it surprising that this 240-year record should thus be two-sided, for the interlocking of company administration with sales efforts brought together, and into the most intimate relations, two disciplines that in practice were as far separated as the poles and yet were reciprocally indispensable. The lesson that life insurance could be distributed only through personal selling was a hard one for many company officials to learn. In fact, instead of learning it, the companies that preceded the era of the 1840's preferred to let their life insurance business remain at trifling amounts, or even go by the board, rather than make a compromise with necessity.

Dr. Stalson has done an original piece of work in the selection of the points at which he has divided his subject into "Parts." The twenty-five chapters that comprise the text are separated into seven chronological groups. Part I sets forth basic problems in life insurance marketing, starting with a philosophical study of the nature of risk and the methods of dealing with it. Here are explained the anthropological foundations of societal evolution, leading to the modern emergence of economic isolation (from the ancient group support and coöperation) which is so largely the product of the industrial revolution. "The higher the degree of civilization to which a society lifts itself," he says, "the wider is the range of emotional and mental appreciation, and the wider is the range of goods and services required to satisfy all its members." The most difficult conflict to solve is that between immediate and long-run values, for the latter seem neither very real nor very pressing. Life insurance puts this conflict sharply before the individual. Bringing home the truth of economic isolation and the means of circumventing it is, in a word, the function of the agent. His task is a formidable one; his performance of it through the years is the message of this book.

Part II paints the background of the marketing methods used from the beginning to 1843. The antecedents of life insurance in the ancient world, in the Middle Ages, and in the transition period from 1500 to 1700 are described. Then comes the first attempt at real insurance in 1699 by the Society of Assurance for Widows and Orphans. During 20 years thereafter other societies, including the famous Amicable Society (1706), with similar plans were founded, their organizers and managers being among the first marketing men that life insurance had.

These rudimentary organizations all played a part, but modern life insurance began in London in 1762, with the Society for Equitable Assurances on Lives and Survivorships, the world's first strictly mutual, level-premium life insurance company. From that time to 1843 the progress was slow but definite. In America it was confined to four companies, the pioneer being the Pennsylvania Company for Insurances on Lives and Granting Annuities, 1813. The other three were the Massachusetts Hospital Life, 1823, the New York Life and Trust Company, 1830, and the Girard Life Insurance and Trust Company, 1836. The lack of agents made the marketing history of these four institutions, relatively speaking, almost a complete blank. In fact, Dr. Stalson lists no less than thirty-one companies from 1759 (Presbyterian Ministers Fund) to 1842 (Mutual Life, New York) that began with high hopes, but with little use for agents. Of all these courageous beginnings the Presbyterian Fund, the Episcopal Corporation of 1769, the New England Mutual of 1835, and the Mutual Life (1842) alone remain.

Part III changes the whole picture. This was the era from 1843 to 1847, and it was distinguished from all predecessors by the emphasis on two revolutionary ideas—mutuality and the soliciting agent. The first was made popular from the start by its perfectly natural appeal, and the second was accepted by the companies as an indispensable contributor to their business. At this point life insurance changed its character, its growth was greatly accelerated, and the whole structure was invigorated, becoming for the first time really attractive to the public.

During this period of the founding of the "great mutuals" the selling of life insurance received the study of men of strong mentality and high purpose. The results were most encouraging, for a remarkable step forward was being taken with the expansion

of these splendid companies. Their years of origin were: New England Mutual, Boston, 1835; Mutual, New York, 1842; New York Life, 1843; State Mutual, Worcester, 1844; Mutual Benefit, Newark, 1844; Connecticut Mutual, Hartford, 1846; and Penn Mutual, Philadelphia, 1847. These companies raised a new standard and also set a new pace. The public reaction was immediate. Passivity as a mode of marketing was out; personal solicitation took life insurance directly to the buyer. All companies made an active agency system an integral part of their operation, with highly gratifying results.

Part IV. This covers the years 1847 to 1858, during which the life insurance business grew rapidly, notwithstanding some failures, while the recruiting, training, and compensation of agents were being worked out as experience ripened. This decade saw the launching of forty companies, of which nine survive to this day, namely, National Life of Vermont; Union Mutual, Maine; Manhattan, New York; United States Life, New York; Phoenix Mutual; Berkshire; Massachusetts Mutual; St. Louis Mutual; Northwestern Mutual. In this period the home office agency department emerged from obscurity to formulate constructively the broad lines of its later growth.

Part V. This traces institutional progress and the growth of the general agency system during the war years 1859 to 1867, including State supervision, with some regulation—which had thus early become a crying need.

Part VI. The nadir of life insurance was reached in the long stretch between 1868 and 1905. This nethermost period in the history of the business was disheartening and lamentable in the extreme. It is the kind of story that does not lend itself to easy condensation because so many factors combined to bring on the debacle. The chicanery in the general business of the period had its malign influence on life insurance. The upshot was frankly a revolt by the public against the industry. Greedy and unprincipled managements brought it close to wholesale disaster. It was saved from that fate by the Armstrong investigation of 1905.

Part VII. This was the period of reforms, innovations, and emerging maturity, and it brings the story up to date, 1905-1941. It forms an amazing and highly creditable record of far-seeing management, of drastic purgings of iniquities on the part of both officialdom and agency workers. A determined effort to remove

the public criticisms of the institution by fearless pruning and amendment of unsound practices was set on foot. This movement is still active and almost unconsciously keeps the business true to its safe course.

The result is the life insurance structure of today, with its marvelous adaptation to the complex needs of the insuring public, and its organizational control over every aspect of the business that contributes to wholesome relations with those whom it is dedicated to serve. Courage and enterprise have won through to victory.

There has been no sacrifice of the old-time drama and humor of salesmanship to the cold efficiency and dullness of modern routine. On the contrary, there never were so many inspiring rewards nor so much vital interest in the work as there are right now. Few developments in the cycles of human affairs make a more urgent appeal to men who have the temperament to appreciate the special mission of life insurance in nourishing and conserving the economic fruits of life.

In this book Dr. Stalson has tilled a field of vast dimensions. To do this successfully would be a challenge that few could accept. The mere physical detail of unearthing and assembling the thousands of facts, to say nothing of interpreting them, that he and his staff have brought together, must have been enormous. In this phase of the work the appendices loom large. Many are built up out of source material that could have been disinterred only after exhaustive research. Take such an appendix as the ninth, giving the number of United States companies formed, terminated, and in operation, 1759 to 1937. Doubtless it cost several thousand dollars to get this information, and, indeed, we know of no other place where it can be found. Or take the sixteenth—foreign and domestic companies active in the United States, ranked by the amount of insurance in force, 1815-1937. Here's a third, No. 25—life insurance in force in the United States companies, 1859-1937. Many more of equal interest to the thoughtful reader could be listed.

Another feature of this book that deserves special mention is the biographical treatment accorded the men who, as pillars of light in their day and generation, have stood high above their fellows. "A hero can not be a hero except in an heroic world." Appreciation of greatness implies the faculty of appreciation on the part of the observer. The life insurance fraternity knows little

enough of its great men; but here an effort by a competent writer has been made, with sincerity, fairness, and critical acumen, to correct much of the ignorance.

It is still true, notwithstanding the revelations of science, that man's deepest problems lie within his own heart and it is also true that today one of the most efficacious solutions of them (in their economic aspect) is life insurance. When, how, and why this has come to pass is shown for every reader in this fascinating volume.

Bank Records Acquired by the Society

The Business Historical Society has recently received from the First National Bank of Boston, through the courtesy of Mr. R. W. Stanley, eleven volumes of the original records of the Shoe and Leather Dealers' Bank, of Boston, which became the Shoe and Leather National Bank. These volumes include the minutes of stockholders' meetings for 1836 to 1865 and 1886 to 1893, as well as directors' minutes from the beginning of the bank till 1901. The collection also includes two account books of the Blackstone National Bank of Boston, whose liquidation was in the hands of the Shoe and Leather National Bank.

The Shoe and Leather Dealers' Bank was established in 1836 by men in the then rapidly expanding shoe and leather industry of Boston. How far this bank continued to serve the shoe industry a careful study of the records may reveal. In 1901 its separate existence ended with its merger with the National Bank of Redemption, which in 1904 was absorbed by the First National Bank of Boston.

Commission Agents in the Button and Brass Trade a Century Ago

Commission agents are of minor significance in the distribution of semi-manufactured goods today. Data from the *Census of Manufactures* reveal that in 1929 only a small portion of manufacturers' sales of buttons, and of non-ferrous metal alloys and their products, was made through commission houses and agents. Approximately two thirds of such sales were made directly to industrial or other large consumers and one quarter to wholesale merchants. This condition differs markedly from that which prevailed a century ago.

The usual distributive channel for buttons, brass, and brass products in the 1820's and 1830's was through commission merchants, or agents, who received goods on consignment and charged a percentage of gross sales for their service. An intimate picture of the operation of the agency system in this period is revealed in the correspondence and accounts of a Connecticut establishment which sold goods through such agents. This manufacturing enterprise, operated by a series of partnerships during the first half of the nineteenth century, was incorporated as the Scovill Manufacturing Company in 1850.[1]

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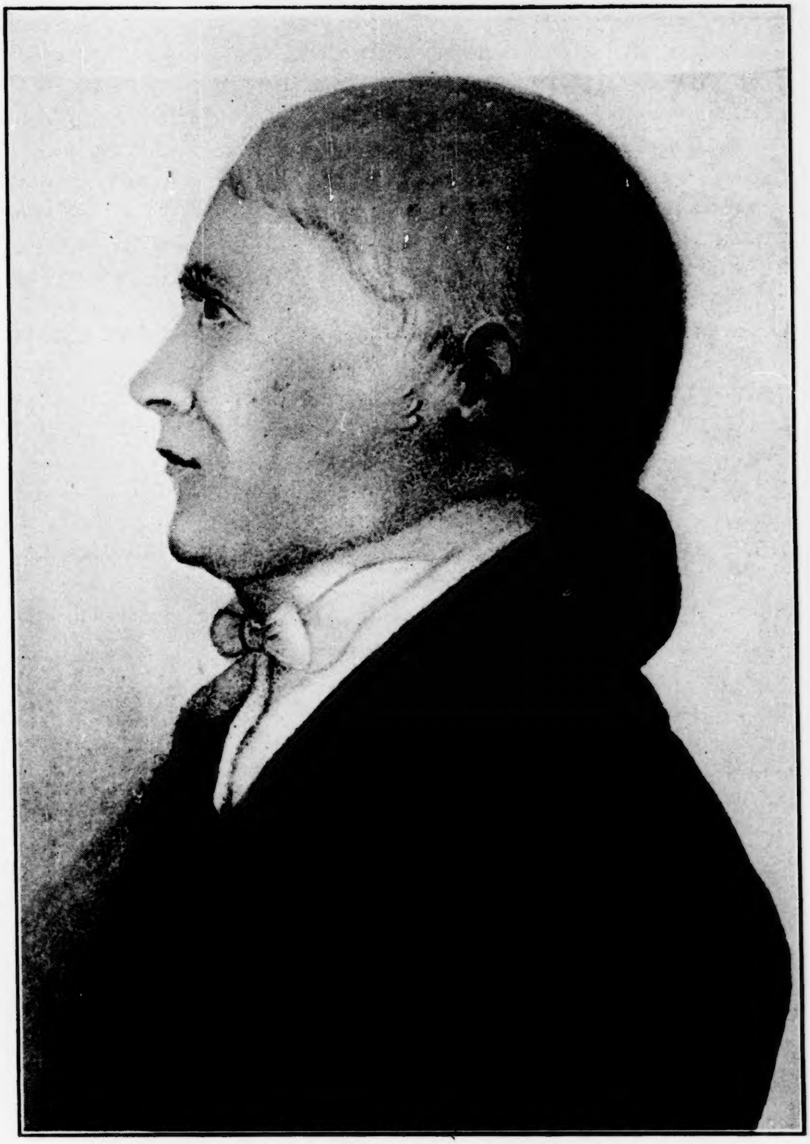
[1]The setting in which the commission merchants operated is suggested in N. S. B. Gras, *Business and Capitalism* (New York, 1939), pp. 195 ff., and described in detail in F. M. Jones, *Middlemen in the Domestic Trade of the United States, 1800-1860* (Urbana, 1937). The census data cited for the purpose of present-day comparison are drawn from *Fifteenth Census of the United States, Distribution of Sales of Manufacturing Plants* (Washington, 1932), Table 1.

A portion of the material for this article is drawn from Appendix I of a doctoral dissertation recently completed by the writer under Professor James A. Maxwell, Clark University, entitled, Management Problems and Procedures of a Manufacturing Enterprise, 1802-1852; a Case Study of the



EMANUEL RUSSELL, Senior Partner
Russell, Mattison & Company
(Courtesy of Isaac D. Russell)

The Scovill enterprise traces its origin to the partnership of Abel Porter & Company, started in 1802. During the first 25 years of business this firm and its successors were primarily button-makers producing gilt brass buttons which were sold through peddlers in neighboring towns and in the country. In 1811 the business changed hands and the first Scovill became a partner in Leavenworth, Hayden & Scovill. During the War of 1812 a great many buttons were sold to the United States Government. At the conclusion of the war, buttons were sold in the seaboard cities, and when private sales could not be made they were sold at auction "for nothing and half that."[2] In the 1820's the firm began to place buttons on consignment with merchants in Philadelphia, Boston, and New York. They were sold on commission, and the manufacturer drew on the merchant for the amount of sales effected.

In 1827 the button enterprise was reorganized as J. M. L. & W. H. Scovill with a capital equity of about $20,000. The profits of the prosperous 1830's were ploughed back into the business, and the capital equity reached over $100,000 by 1836. Meanwhile the output was expanded to include rolled sheet brass and brass butt hinges. (The butt hinge is the sort used today, fitting inside the door frame instead of reaching across the face of the door as did the old wrought-iron hinges.) The butt-hinge manufacturing was carried on at a separate plant some miles away, at a point where further water power could be had, and was conducted by a new partnership, Scovills & Buckingham. In 1840 a third partnership of Scovills & Company was organized to carry on the button production, while the parent firm of J. M. L. and W. H. Scovill continued the production of mill products. The Scovill Manufacturing Company, which combined these several partnerships in 1850, has continued in business to the present time.

Scovill buttons were placed on consignment with Gad Taylor, of New York, in 1827. He had been established as a merchant for some fifteen years, and was handling novelty items which he pro-

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Origin of the Scovill Manufacturing Company. The chief source was a collection of documents and accounting records made available to the writer through the courtesy of the Scovill Manufacturing Company. Acknowledgments are due the General Manager's office for very greatly facilitating the use of these records.

[2]J. M. L. Scovill to Leavenworth, Hayden & Scovill, 1820. See also letters for Feb. 2, 1816, and Aug. 28, 1819.

claimed were exclusively of American manufacture. He was an aggressive salesman, and did much to increase the Scovill sales, but he was a poor manager and went bankrupt twice. After the second failure, in 1832, he was hired on a salary by Russell, Mattison & Company. This commission house then became the most important Scovill agent, generally making sales twice those of any other single agent and handling, in 1836, goods to the value of more than $30,000. In 1838 Taylor became a partner in Russell, Mattison & Taylor, and in the 1840's he was joined by his son in again setting up a commission business on his own account.

Agents of the concern, during the 1830's, fall into two categories. On the one hand there were merchants who commenced by handling chiefly novelty items—bone, shell, wooden and metal buttons, combs, suspenders, wallets, and so on. On the other hand were those who commenced with the broader line, designated "hardware," which included farming implements, carpenters' supplies, and metalware generally.[3] Gad Taylor and the partnership of Russell, Mattison & Company serve as our best examples of those handling novelty items. Such houses expanded to include hardware lines partly because of Scovill manufacture of sheet metal and hinges.

Russell, Mattison & Company had grown out of the commission business of Emanuel Russell, who had served the firm as an agent in the 1820's and possibly had his own establishment for the making of bone buttons. That the line of goods sold by Russell, Mattison & Company, in the early 1830's, was primarily buttons is suggested by the fact that listings in the New York directories occasionally designated the establishment as a "Button Store." Some of the capital accumulated by the concern was invested in a hardware manufacturing enterprise started in 1835 and succeeded, in 1839, by Stanley, Russell & Company.

In Philadelphia and Boston the commission merchants to whom the Scovills referred as their "agents" were in the hardware line from the beginning. A. Goodyear & Son was started in Philadelphia in 1827 by a Scovill neighbor, who had been manufacturing pitch-

[3]The wide variety of items carried by the "hardware" merchants is listed in J. L. Bishop, *A History of American Manufacturers from 1608 to 1860* (Philadelphia, 1868), vol. ii, pp. 387-388. Interesting details are also given of the development of domestic hardware houses during the 1820's and 1830's.

forks and hayforks and concluded that an outlet for such American manufactures was needed. This hardware firm was succeeded in 1831 by Curtis & Hand. Other commission merchants in Philadelphia received Scovill goods on consignment, especially buttons which could be handled by novelty item houses. One merchant thus stocked, William Cook, rose rapidly to surpass even Curtis & Hand in amount of sales, but he soon fell behind with the hard times of the late 1830's. In Boston the Scovill agency was given to George H. Gray & Company, started in the late 1820's as a commission house for domestic hardware.

The agents made some of their sales directly to business users, some to country "merchants" from the South or West who made a semiannual trek to market and some to jobbers who sold in turn to artisan users, country "merchants," or local retailers. The chief users of buttons were merchant tailors; the users of sheet metal were artisans who manufactured finished goods therefrom. The Philadelphia agents, Curtis & Hand, made most of their sales to buyers within the immediate vicinity of Philadelphia, and the sale of Scovill products to country "merchants" was handled by jobbers who received goods from Curtis & Hand. Russell, Mattison & Company, of New York, did a large out-of-town business directly with the country "merchants." George H. Gray & Company, of Boston, handled some products through jobbers even for the Boston sales.

The sales of each agent differed according to the market. In the Philadelphia market, buttons were bought by local merchant tailors and by country "merchants" who retailed them. Sheet brass and silver-plated sheet metal were bought by these "merchants" and also by small manufacturers of fenders, grates, and candelabras. In Boston the button sales suffered from the vigorous competition of a Massachusetts manufacturer. The Boston house of George H. Gray & Company was most successful in making sales of brass butt hinges which were used chiefly on ships, but these were frequently handled through intermediary jobbers.

It is interesting to observe that, while each agent generally accepted orders for all Scovill items, some specialization was emerging by the middle 1830's. In Philadelphia the sheet metal and hinges were pushed by Curtis & Hand, while William Cook pushed the button sales. In New York it was found necessary for the Scovills to place hinges on consignment with a number of houses

which carried a broader hardware line than Russell, Mattison & Company and had closer connections with local builders. In Baltimore the general Scovill line was placed with E. H. Merrill in 1834, yet a few years later the hinges were also placed with Stickney & Noyes, a domestic hardware commission house, thus paralleling the policy followed in New York.

The capital of the agents varied. Russell, Mattison & Company were described in 1832 as "worth about $20,000 and snug in their business." Another merchant who took over the sale of Scovill buttons as a subagency, in Philadelphia, started with only $3,000. When Gad Taylor went bankrupt in 1832, J. M. L. Scovill reported, "He is about $2,000 short and owes about $18,000."[4]

The relations between the Scovills and their agents extended from selling to miscellaneous services, and these were duly reported, or accounted for, in semiannual settlements.

It is not clear how aggressive a part the commission agents were expected to take in pushing sales. There were times when the competition was vigorous, and an agent begged that J. M. L. Scovill—the partner concerned with marketing—should come and help to effect sales. Newspaper advertising was at Scovill expense and frequently upon Scovill suggestion.[5]

It was occasionally reported, on the other hand, that the agent had hired extra help in order that either a salesman or a partner of the commission house could be constantly out among the local customers. Printed price lists were sometimes prepared by the agents with their names, and without the Scovill name, and sometimes the agents prepared their own sample cards. Commissions were allowed agents on sales made by one of the Scovills or by a Scovill salesman in a market which had been developed by the agent. Sometimes these commissions were at the full prevailing rate, which suggests that it was thought worth while to encourage the agents to take initiative in developing the market.[6]

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[4]J. M. L. Scovill to W. H. Scovill, Mar. 6, 1832; Nov. 10, 1832; Mar. 3, 1832. An interesting reflection upon attitudes of the time can be gleaned from a further comment in the latter letter: "I have seen Leavitt. He tells me we ought not to show any mercy for he [Taylor] has outraged everything in going to purchasing goods on his own act."

[5]Evidence of Scovill initiative is seen in J. M. L. and W. H. Scovill to A. Goodyear, Aug. 17, 1829, and Feb. 21, 1829; J. M. L. Scovill to W. H. Scovill, Apr. 14, 1829.

[6]On hiring salesman: G. Gray to J. M. L. and W. H. Scovill, Nov. 8, 1831;

The manufacturer sought to have the agent take orders months in advance and occasionally succeeded, as the habit was established among customers that ordered from England. The agents, however, urged that the competition offered by other domestic manufacturers required consignment of full stocks and that advance orders were difficult to procure. During the spring and fall seasons many a letter pointed to the loss of sales because goods were not on hand in the markets. One agent, finding stocks low, opened an urgent request for new stock with the query: "What shall we do to keep up our breeches—we dislike being caught with them down. . . ."[7] Inventories with agents at the year's end ranged between one-third and one-half of annual sales.

Agents frequently made suggestions for improvements in the product, or even for new products. In Boston it was found that the ship hinges would have to be handsomely lacquered, while in New York customers complained of a white dust which gave the tops to pepper shakers an unfinished appearance.[8] Sometimes a casual observation would suggest opportunities for profit. A pepper top of a new shape commanded a premium, and a change in lighting habits indicated that in Boston the increased use of whale oil called for more lamps and fewer snuffer trays for snuffing out candles.[9] There were also occasions on which the agent procured samples of imported buttons, or of buttons made by competing domestic manufacturers, and forwarded them to Waterbury.[10]

An intimate picture of the sales problems was given in a letter from George H. Gray & Company, October 27, 1836. Very wide hinges for "pianofortes" were included in the Scovill line, and it appeared to the Scovills that these ought to sell well in Boston. Word came from Gray that he dared not approach the pianoforte producers. He wrote:

Curtis & Hand to J. M. L. and W. H. Scovill, Jan. 7, 1832, and July 22, 1833; J. M. L. Scovill to W. H. Scovill, May 26, 1833, and Sept. 24, 1834.

On payment of commissions for sales by Scovills or their salesmen: J. M. L. and W. H. Scovill to G. Taylor, Mar. 14, 1829; Gad Taylor, account current, July 1, 1828; Curtis & Hand, account current, June 30, 1832.

[7]Russell, Mattison & Company to J. M. L. and W. H. Scovill, Apr. 21, 1835.

[8]George H. Gray & Company to J. M. L. and W. H. Scovill, Feb. 19, 1836; Joseph Chamberlin to J. M. L. and W. H. Scovill, Oct. 16, 1835.

[9]W. H. Scovill to J. M. L. Scovill, Apr. 7, 1837, referring to letter from George H. Gray; George H. Gray to J. M. L. and W. H. Scovill, Feb. 4, 1834.

[10]George H. Gray to J. M. L. and W. H. Scovill, Nov. 28, 1831; Russell, Mattison & Company to J. M. L. and W. H. Scovill, Mar. 1, 1833.

> We are obliged to be a little cautious about going to Chickering & Markay abt yr butts—it is likely to interfere so much with several of our largest customers for yr butts that we fear more loss than gain thereby. We shall however look to this matter of a Piano Fort etc *indirectly* if we find we dare not openly call on them.

There was, of course, a tendency for the agent to request lowered prices or, failing that, to seek the production of a low-priced product. As a consequence Scovill's tenaciously retained the authority to reduce prices. After setting a minimum price they suggested in one case, "You can put them higher if you think they will command it."[11] In a few cases the agent might be authorized to make a reduction, provided that he could ascertain beyond all doubt that competitors had reduced prices.[12] In place of price concessions the agent was permitted to make minor variations in the credit terms. A fixed discount was given for cash, and at one time Scovill's suggested to an agent, "You might allow 30 or 60 days and call it cash."[13]

There was also a tendency for the agent to wish to grant long credit terms to the buyers. Six months was the most common period allowed on sales, though the time varied with the intensity of competition. The Scovills objected to long credit terms chiefly because they wanted cash to expand their business. As a general policy the agent was not to exceed the credit terms laid down by the Scovills, but reasons for exceptions were frequently found. A typical comment came from J. M. L. Scovill, after discussion with his Baltimore agent. "He says," Scovill reported, "when they can make a person take a lott of goods early in the season instead of getting in driblets all through, they have done as others offer in their line 8 or 9 months & perhaps it is well."[14]

The rate of commission which Scovill's paid their agents generally was 5 per cent, with an additional 2.5 per cent in cases where the agent would "guarantee" (assume risks of collection). In comparison with the rates charged in other lines this was about equal that generally charged for retailing domestic merchandise and considerably higher than that for large-lot sales. If the Scovills

[11] J. M. L. and W. H. Scovill to G. Taylor, Mar. 21, 1829.

[12] J. M. L. and W. H. Scovill to A. Goodyear & Son, Feb. 27, 1830; J. M. L. and W. H. Scovill to W. P. Mort, Feb. 27, 1830.

[13] J. M. L. and W. H. Scovill to W. P. Mort, Sept. 16, 1829.

[14] J. M. L. Scovill to W. H. Scovill, Feb. 7, 1839.

paid a bit heavily for the selling service, it may have served nonetheless as a rough form of justice. The Scovill agents did not receive commissions for innumerable small errands, purchase of raw materials, et cetera, each of which might have been subject to charges of from one to 5 per cent commission. In addition to the 5 per cent commission, Scovill's also paid the expenses of insurance, transportation, and advertising, but they did not pay the agents any fee for arranging these services.[15]

The most marked contrast between the present-day relations of selling agent and principal and the relations of commission agents and Scovill's in the late 1820's and 1830's is to be found in the wide variety of services performed by commission agents a century ago. The agent purchased raw materials and merchandise, arranged for their shipment to Waterbury, undertook to arrange the reshipping of Scovill goods to other markets, arranged for insurance, and made and received business payments in behalf of the Scovills. Outstanding service appears when even the initiative was taken by the agent. Before sending up a sample of a button which he thought the Scovills might do well to manufacture, the agent called upon a diesinker in order to make certain a die could be cut for such a button. When the agent noticed that a certain paper wrapping was preferable, he at once purchased some of the paper and sent it to Waterbury. Such services appear to have been considered necessary, doubtless because of the slowness of communication.

A statement was sent to the manufacturer by each agent once every six months. A separate statement was generally sent to each of the distinct Scovill partnerships. There was considerable variation in the form of the statements, but they generally included an account of sales by items which was designated "Account Sales," as well as a statement of charges and credits which was designated the "Account Current." The credits included amount of sales, occasionally including the "net proceeds" after deduction of commissions, insurance, advertising, or other expenses, but frequently embracing total sales with the advertising and other charges carried

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[15]See Jones, *op. cit.*, pp. 20 ff. On the occasion of a dispute in 1829, Gad Taylor took occasion to point out the many errands he performed, viz. ". . . besides my services are constantly at your command in this market as well as others and do much for you here which I get no compensation for only as I have the privilege of making sales in all markets." Gad Taylor to J. M. L. and W. H. Scovill, Mar. 11, 1829.

as debits to the account current. Credits also included acceptances of drafts drawn by the agent upon the manufacturer. The charges included acceptances of drafts drawn by the manufacturer upon the agent, payments for raw materials, and purchased merchandise. The charges also included losses due to failure of customers. Interest found a place both as a credit and as a debit.

There was a great deal of variation in the balances at the end of each six-months' period. Sometimes these showed that the agents owed the Scovill partnership several thousand dollars. At other times the tables were turned, and the Scovill partnership was shown as indebted to the agent. The most frequent financial aid extended by agents consisted simply in lending their good names as endorsers upon paper which was then discounted at the bank, but sometimes agents would discount an acceptance themselves. Circulars received from commission agents soliciting business generally included some statement concerning the extension of credit. In this respect the advertising was similar to that of commission merchants in other lines.[16]

In view of the large degree of dependence of the Scovill business upon commission merchants, it may seem surprising that a wholesale depot was established by the manufacturers in 1846. In 1840 W. H. Scovill had observed, "Our brass goes too much thru agents hands."[17] At this time sheet metal was already being cast and rolled to customer order, and in business of this sort direct selling facilitated conformity to customer requirements.

The shift to manufacturer initiative in marketing was further stimulated by Scovill entry into the production of daguerreotype photographic plates from Scovill rolled silver plate in 1839 and the 1840's. This led the firm to undertake the distribution of related supplies needed by operators of daguerrian studios. For this purpose it was necessary to open a New York depot, which then also carried the other Scovill items. Salesmen for the photographic materials were sent to the West, thus reviving a procedure first attempted in 1832 over the outspoken protest of Philadelphia merchants.[18] In Boston and Philadelphia commission sales were

[16]Beal & Higginson to J. M. L. and W. H. Scovill, Aug. 13, 1832. See A. H. Cole, *The American Wool Manufacture* (Cambridge, 1926), vol. i, p. 212.
[17]W. H. Scovill to J. M. L. Scovill, Dec. 1, 1840.
[18]The establishment of a wholesale outlet was not altogether a new procedure on the part of manufacturers (see A. H. Cole and H. F. Williamson, *The*

continued through agents George H. Gray & Company, and Curtis & Hand in the 1850's,[19] but a Boston office was opened in 1866.

We thus observe that the commission agents of the 1830's were very active intermediaries who pushed sales, scoured the market for ideas as well as raw materials, and loaned their credit when it was needed. By the middle of the century they occupied a position of declining importance in the Scovill business, owing in part to changes in the Scovill product. It seems doubtful whether increased manufacturer initiative in marketing could have been undertaken if there had not been the parallel advances in postal, express, and banking services which freed the manufacturer from dependence upon agents for such services.

The changes in Scovill marketing may have been in response to pressures within the industry or even the fashion of the times. In those years many manufacturers throughout the East were finding the commission agency system of marketing unsatisfactory —unsold goods were piling up, with the result that the manufacturer was being financially strained. In this circumstance the manufacturer either had to push sales directly or shift the burden of distribution entirely to a wholesaler.

Theodore F. Marburg,
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American Carpet Manufacture, Cambridge, 1941, p. 35), but it was in advance of the general practice. The development of Scovill initiative in selling constitutes an interesting chapter in early merchandising developments.

[19] J. M. L. Scovill to George Mallory, Feb. 8, 1853.

Nathan Isaacs

Nathan Isaacs, of the faculty of the Graduate School of Business Administration, Harvard University, and a member of the Business Historical Society, died on Thursday, December 18, 1941, after an illness of several months. He left his wife, Ella Davis Isaacs, and a daughter, Carol. Professor Isaacs was one of Harvard University's great appreciative and critical scholars; students of law, business, and Hebrew literature profited immeasurably from his generous and kindly life. His place on the faculty of the Business School can never be filled.

One of eight sons of Abraham and Rachel Isaacs, Nathan Isaacs was born on July 10, 1886. He began his collegiate career at the University of Cincinnati, where he received his A.B. degree in 1907, A.M. degree in 1909, and Ph.D. and LL.B. degrees in 1910. A member of the Ohio bar, he practised law in Cincinnati for two years, returning to the Cincinnati Law School in 1912 as Assistant Dean and Professor of Law. During the first World War he served as a captain in the Military Intelligence Division. His first association with Harvard University came in 1919 as the Thayer teaching fellow at the Law School. The following year he received the S.J.D. degree from Harvard and joined the faculty of the University of Pittsburgh, of which he was a member for three years. Returning to Harvard University in 1923, he became Professor of Business Law in 1924.

Professor Isaacs was a man of broad interests and wide influence. A member of Phi Beta Kappa, the American Academy of Arts and Sciences, the American Bar Association, and the American Arbitration Association, he contributed to these and to many other learned societies out of the rare intellectual combinations that were his. In addition to his work as a scholar and a teacher, he was an able administrator. That he was appreciated

as well by business men and firms was recognized in his appointment as director of Gimbel Brothers. In recent years his great efforts on behalf of Jewish refugees drew heavily on his energy and affected him deeply. It is a fair measure of his life to say that in his efforts on behalf of institutions, causes, and other people, he forgot himself.

MYLES L. MACE,
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